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David L. Armstrong
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John W. Clay
Commissioner

June 6, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2008-00017
Breathitt County Water District

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on June 6, 2008.

Executive Director

SS/tw
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE CONTRACT FILING OF)
BREATHITT COUNTY WATER) CASE NO. 2008-00017
DISTRICT WITH KENTUCKY)
MOUNTAIN BIBLE COLLEGE)

O R D E R

On November 8, 2007, Breathitt County Water District ("Breathitt District") submitted a proposed special contract for Breathitt District's provision of water service to Kentucky Mountain Bible College ("Mountain Bible"). On January 29, 2008, the Commission initiated this proceeding to investigate the reasonableness of the proposed contract. A teleconference was held on May 13, 2008. On May 19, 2008, Breathitt District filed a response and an amended contract. On May 23, 2008, Breathitt District filed a contract revision, which is now before the Commission.

After reviewing the contract, the Commission's concern is whether the proposed contract price is sufficient to recover Breathitt District's production and transmission costs. During the teleconference on May 13, 2008, Breathitt District provided additional information concerning Breathitt District's cost to provide water service to Mountain Bible, which will be served through a 6-inch compound meter through which it anticipates purchasing approximately 228,000 gallons per month. This flow rate far exceeds that of any existing customers who pay for water service through the district's current declining block rate structure. The district's current rate structure has only two

steps: (1) a charge of \$19.90 for the first 2,000 gallons; and (2) a charge of \$9.95 per thousand gallons for all water purchased over the first 2,000 gallons. Applying the district's current rate structure to the volume of water anticipated to be sold to Mountain Bible results in an unreasonably excessive charge warranting the need for a special contract. The rates of the contract include a declining block rate with three steps wherein the third step is \$3.80 per thousand gallons. The final step of the contract more appropriately reflects the district's commodity costs for water than does the \$9.95-per-thousand-gallon charge included in the district's current rate structure. Therefore, we find that the special contract rate is more appropriate for Mountain Bible than Breathitt District's current rate structure.

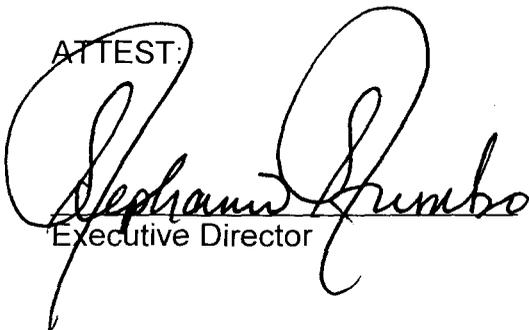
Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the contract is reasonable and that it should be approved.

IT IS THEREFORE ORDERED that Breathitt District's proposed special contract for sale of potable water to Mountain Bible is approved effective on and after the date of this Order.

Done at Frankfort, Kentucky, this 6th day of June, 2008.

By the Commission

ATTEST:


Stephanie Grumbo
Executive Director